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SUBJECT: KAZAKHSTAN: INVESTMENT CLIMATE STATEMENT 2010

ASTANA 00000044 001.3 OF 027

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11. The following is Post's submission for the 2010 Investment Climate Statement for Kazakhstan.

A.1. Openness to Foreign Investment

Kazakhstan has made significant progress toward creating a market economy since gaining independence in 1991. The European Union in 2000 and the U.S. Department of Commerce in March 2002 recognized the success of Kazakhstan's reforms by granting it market-economy status. Kazakhstan also has attracted significant foreign investment since independence. By July 2009, foreign investors had invested a total of \$97.6 billion in Kazakhstan, primarily in the oil and gas sector. In 2008, during a severe economic crisis, Kazakhstan still managed to attract \$20.1 billion in foreign direct investment.

Despite continuously increasing investment in Kazakhstan's energy sector, concerns remain about the government's tendency to challenge contractual rights, legislate preferences for domestic companies, and create mechanisms for government intervention in foreign companies' operations, particularly procurement decisions. Together with vague and contradictory legal provisions that are often arbitrarily and inconsistently enforced, these negative tendencies feed a perception that Kazakhstan is less than fully open to investment.

Four major acts of legislation affect foreign investment in Kazakhstan. These are: 1) the 2003 law "On Investment"; 2) the 2003 Customs Code and the Customs Code of the Customs Union, expected to be approved by July 2010; 3) the 2007 law "On Government Procurement," with 2008 amendments; and 4) the 2008 Tax Code. These four laws provide for non-expropriation; currency convertibility; guarantees of legal stability; transparent government procurement; and incentives in certain priority sectors. However, inconsistent implementation of these laws and regulations at all levels of the government remains a significant obstacle to business in Kazakhstan.

The government's Program on Accelerated Industrial Development, which is expected to be approved early in 2010, will also play a key role in determining the country's investment priorities. Beginning in 2010, Kazakhstan will move to a five-year investment planning schedule, which will be the country's first long-term economic development plan.

In public procurement, the government has enacted regulations that give preference to local suppliers. For example, amendments passed in 1999 to the Petroleum Law require mining and oil companies to use local goods and services. According to these "local content" regulations, subsurface users in Kazakhstan are obligated to purchase goods and services from Kazakhstan entities -- provided that the local goods meet minimum project standards -- and to give preference to the employment of local personnel. Prospective subsurface users are required to specify in their tenders the anticipated local content of their work, goods, and services (see Section A.5. Performance Requirement/Incentives). Current procurement regulations include three sets of rules -- 2007 Subsurface Procurement, State Procurement, and 2009 Samruk Procurement -- that presuppose a nominal reduction of bid price by Kazakhstani producers of 20%, 10%, and 10%, respectively. In essence, this assumption makes local products more cost competitive.

However, since existing subsurface laws and procurement rules use different definitions of local producers and local content, the legal basis for applying the local content criteria, in practice, is unclear and hence subject to interpretation by state and local authorities. A draft Subsurface Law, which would replace the 1995 Petroleum Law and the 1996 Subsurface Law, is expected to address these discrepancies and unify the definitions of local content.

October 2007 amendments to the existing Subsurface Law allow the

ASTANA 00000044 002.3 OF 027

government to impose amendments to existing subsoil contracts of "strategic significance" or even to terminate contracts deemed to threaten Kazakhstan's economic security or national interests. An August 2009 government decree lists more than 100 oil and gas fields, including Tengiz, Kashagan, and Karachaganak, as subsoil fields with "strategic significance." The government, therefore, can initiate changes to existing contracts if it determines that the actions of a subsoil user could lead to a substantial change in Kazakhstan's economic interests, or threaten Kazakhstan's national security.

The draft Subsurface Law has been pending in Parliament since October 2008. The new law, expected to be adopted early in 2010, requires separate contracts for exploration and production operations, puts shorter time limits on exploration contracts, enhances the government's authority to terminate contracts not in compliance with the law, and requires tax stability clauses in individual contracts to be approved by parliament. In addition, under the terms of the legislation, no future contracts would be structured as production-sharing agreements (PSAs), companies must establish equal terms, conditions, and pay for Kazakhstani and foreign workers, and the government would evaluate subsoil resource bids based on promised social contributions.

Tax experts consider Kazakhstan's tax laws to be among the most comprehensive in the former Soviet Union. In January 2009, Kazakhstan adopted a new Tax Code that lowered corporate-income and value-added taxes, replaced royalty payments with a mineral-extraction tax, and introduced excess-profits and rent taxes on the export of crude oil and natural gas. Subsurface users are also subject to a signature bonus, commercial-discovery bonus, and historical cost reimbursement. Business associations and investment advisors were concerned that the new code would undermine tax-stability clauses in existing and future contracts. The government subsequently issued a statement that it would guarantee tax stability only for existing production-sharing agreements (PSAs) and for one major hydrocarbon project with a tax and royalty contract (Tengiz) if parliament legislatively rarifies the contracts.

The new Tax Code applies taxes universally and allows only a limited

set of exemptions. The code applies an international model of taxation, based on the principles of equity, economic neutrality, and simplicity. According to resident experts, this code is an improvement over its predecessor and a step forward in establishing a transparent and effective tax system, particularly for the non-extractive sectors.

On January 1, 2009, the government lowered the corporate income tax rate from 30% to 20%. In 2010, the rate will remain the same (20%), although a gradual decrease to 17.5% and 15% in subsequent years is very possible. The value-added tax (VAT) has been reduced gradually over the past several years from 16% in 2006 to 12% in 2009, where it will likely remain in 2010. The social tax imposed on employees' earnings has a flat rate of 11%. The personal income tax rate for residents is 10%. Depending on the type of income, non-residents working in Kazakhstan are responsible for payment of income tax at rates between 5% and 15%.

In 2008, Kazakhstan introduced, adjusted, and ultimately zeroed out a customs duty on crude oil and gas condensate exports due to low world oil prices. Each quarter after the Prime Minister signed the April 2008 decree, the Ministry of Finance reviewed the customs duty rate in light of average global Brent crude prices and adjusted the amount of the tariff according to a published formula. On January 26, 2009, the government introduced a zero rate for the customs duty. However, should oil prices rise, the government retains the right to re-introduce the customs duty. Companies paying the rent tax are exempted from the customs duty.

In addition to concerns about tax stability, contract sanctity, and tender transparency, companies in the oil and gas industry have

ASTANA 00000044 003.3 OF 027

reported a number of other business difficulties, including delays in obtaining work permits for expatriate employees, alleged environmental violations followed by large fines, inconsistent enforcement of a Kazakh-language law, and unexpected customs delays and documentation.

In January 2003, President Nazarbayev signed the law "On Investments" that superseded and consolidated past legislation governing foreign investment. The law establishes a single investment regime for domestic and foreign investors and provides, inter alia, guarantees of national treatment and non-discrimination for foreign investors. It guarantees the stability of existing contracts, with the qualification that new contracts will be subject to amendments in domestic legislation, certain provisions of international treaties, and domestic laws dealing with "national and ecological security, health and ethics."

An issue of serious concern for foreign investors is the absence of an international arbitration provision in the draft Subsurface Law. The 2003 Investment Law provides for dispute settlement through negotiation, Kazakhstan's judicial process, and international arbitration. However, if the new Subsurface Law does not include such a clause, the state may choose during pre-contract negotiations not to include the provision in the contract. The Investment Law narrows the definition of investment disputes and lacks clear mechanisms for access to international arbitration. U.S. investors should note that the U.S.-Kazakhstan Bilateral Investment Treaty, as well as the New York Convention, protects U.S.-investor access to international arbitration. Additionally, the Kazakhstani Constitution, as well as the 2003 Investment Law, specifies that ratified international agreements have precedence over domestic law.

In December 2004, Kazakhstan adopted a law "On International Commercial Arbitration" (see "Dispute Settlement" for full discussion).

The 2003 Investment Law currently contains incentives and preferences based on government-determined sectoral priorities, and provides for investment tax preferences, customs duties exemptions, and in-kind grants. According to provisions of the new Tax Code and 2009 amendments to the Investment Law, preferences on corporate income tax for Kazakhstani residents replace investment tax preferences, such as 10-year corporate income tax exemptions and exemptions from land and corporate property taxes. However,

preferences for some priority sectors in the form of custom duties exemptions and in-kind grants will remain. (Customs duties exemptions are limited to equipment that is destined for use in production processes exclusively in Kazakhstan and to imported equipment/components if Kazakhstani-produced stocks are not available or do not meet international standards).

In 2001, Kazakhstan adopted transfer-pricing legislation, which gives tax and customs officials the authority to monitor export-import transactions in order to prevent the understatement of earnings through manipulation of export prices. Foreign investors have expressed concern that the government specifically rejected the use of OECD standards for determining a proper market price under its transfer-pricing legislation, creating instead a methodology that fails to fully account for all cost and quality differences. The government holds that transfer-pricing can take place even in transactions between unrelated parties, because the practice, until recently, was defined by transaction prices that differ from market prices by as much as 10%. Kazakhstan's deviation from international methodology on this issue complicates the ability of firms to obtain relief under double taxation treaties. This remains a contentious issue with investors. A new law on transfer pricing that came into force on January 1, 2009, is designed to allow for improved control of transfer pricing by applying the commonly accepted "arm's length principle." Foreign investors concede that the new law is more closely aligned with international standards, but are concerned that the law will be applied not only to transactions with related parties, but to all international transactions. The Embassy is not aware of any cases involving the inappropriate application of

ASTANA 00000044 004.3 OF 027

transfer-pricing legislation in 2009.

Although Kazakhstani law holds that no sectors of the economy are fully closed to investors, there are sectoral limitations, specifically a 20% ceiling on foreign ownership of media outlets and a 49% restriction on foreign ownership in the telecommunications sector and in new oil exploration and production projects. However, a December 2005 law lifted restrictions on the participation of foreign capital in the banking sector. A ban on foreign bank and insurance company branches remains in force. February 2006 amendments to the Law on Insurance have eliminated participation restrictions for foreign legal entities in insurance and re-insurance organizations in Kazakhstan.

Restrictions also exist on foreign ownership of land in Kazakhstan. See below (A.6 "Right to Private Ownership and Establishment").

The draft Subsurface Law reiterates the state's right of first refusal on the purchase of shares in new exploration and production projects in the extractive industries. In 2005, the government broadened its claim of priority purchase rights to include shares of companies that have invested in the oil and gas sector. The same amendments allow the government to block the sale of oil and gas assets in the interest of "national security." Additional amendments to the current Subsurface Law, signed in December 2008, also assign the government the right to exclude selected companies from participating in oil and gas investment program tenders in the interests of "national security." Article 71 of the current Subsurface Law gives the state the right of first refusal on any equity transactions involving subsurface user rights for oil and gas or mining operations. According to the draft Subsurface Law, the preemptive right now applies to any kind of transaction. The draft Subsurface Law includes a preemption clause that guarantees the state the right of first refusal when a party seeks to sell any part of its stake in a mineral-resource extraction project. The state claims this preeminent right even in cases where the controlling agreement assigns preemptive rights elsewhere (e.g., to other investors in a consortium). However, the draft Subsurface Law offers more transparent procedures for the state and companies to exercise subsoil rights and provides a clear definition of cases in which the state can exercise its priority right. In practice, investors may find that a joint venture with a well-connected local partner is advantageous to navigate the legal and political complexities of operating in Kazakhstan.

Foreign firms operating in Kazakhstan frequently report harassment by the Financial Police via unannounced audits, inspections, and other methods. One company reported a request from the Financial Police for confidential information on employees, with no apparent connection to an ongoing investigation.

Uneven, and sometimes blatantly unfair, application of tax laws is particularly egregious when a company is involved in another, unrelated dispute with authorities. Foreign investors also have complained about irregular application of other laws and regulations. In some cases, investors have interpreted regulatory pressure as an effort to extract bribes. Investors should not assume that their agreement to a settlement with tax authorities following an investigation or civil case will prevent the pursuit of charges under criminal provisions. At times, the authorities have used criminal charges in civil disputes as a pressure tactic.

By law and in practice, foreign investors can participate in privatization projects. Following an investment, no discrimination against foreign investors is apparent. However, many foreign companies cite the need to protect their investments from a near-constant barrage of decrees and legislative changes, most of which do not "grandfather" existing investments. In addition to arbitrary tax inspections, foreign investors' complaints include problems with closure of contracts, delays and irregular practices in licensing, and land fees. Some foreign firms have expressed concern about the failure of government organizations to fulfill

ASTANA 00000044 005.3 OF 027

their contractual obligations, particularly regarding payment, which can prevent the foreign partner from advancing its investment program. The investor then is exposed to government charges of non-performance and the real possibility that the government will cancel the contract.

Foreign workers must have a work permit to work legally in Kazakhstan. Obtaining these work permits can be difficult and expensive. The government cites the need to boost local employment by limiting the issuance of work permits to foreigners. U.S. companies should consult legal firms for assistance (see A.5 for details) in obtaining work permits. The work-permit quota system is based on the 1998 Law on Employment of the Population. Under this system, the government limits the number of work permits available to foreigners based on the area of specialization and geographic region.

In December 2007, Kazakhstan adopted new regulations on foreign labor that the Ministry of Labor and Social Protection claims simplify the issuance of work permits to foreigners. The Ministry also, however, placed additional requirements on employers to support the domestic labor market. According to the new regulations, permits for foreign labor are issued only in the event that suitable candidates cannot be found in country, which is subject to verification and assessment by Kazakhstani labor authorities. Those foreign employers that do receive permits for foreign laborers are expected to meet specific terms of agreement that include training Kazakhstani citizens to eventually fill positions held by foreigners, the gradual overall replacement of foreign labor with Kazakhstani citizens, and the creation of new jobs for domestic workers in the event of an increase in production volumes. The scale of these individualized terms is directly proportional to the number of foreign workers hired. Kazakhstani labor authorities are expected to complete their review of work permit applications for foreigners within 20 days. If awarded, employers must provide authorities with documents within 10 days, guaranteeing the prompt departure of foreigners after the expiration of their permits. From 2003-2008, the quota steadily increased from 0.14% to 1.6%. However, because of the current economic crisis, the government reduced by half the quota for foreign labor. The 2009 quota of 0.75% of the active labor force will remain in force for 2010.

Index	Ranking	Year
Heritage Economic Freedom	60.1/83	2009
World Bank Doing Business		
Ease of Doing Business	63	2008-2009

A.2. Conversion and Transfer Policies

In 1996, Kazakhstan adopted Article 8 of the IMF Articles of Agreement, which stipulates that current account transactions, such as currency conversions or the repatriation of investment profits, will not be restricted. In 1999, the government and National Bank of Kazakhstan announced that the national currency would be allowed to float freely at market rates, thus abolishing the previous managed exchange-rate system. After the tenge devaluation on February 4, 2009, the National Bank returned to the managed-float exchange-rate regime and maintained throughout 2009 the tenge exchange rate in the corridor 150 tenge/per U.S. dollar plus/minus 3% (please see section A.9. "Efficient Capital Markets and Portfolio Investments").

No distinction is made between residents and non-residents when opening bank accounts. There are no restrictions whereby different types of bank accounts are required for investment or import/export activities. For non-residents, money transfers in currency associated with foreign investments, whether inside or outside of the country, can take place without restriction. The National Bank permits non-residents to pay wages in foreign currency (the article 16 of the law on Currency Regulation and Currency Control). Foreign investors may convert and repatriate tenge earnings made inside Kazakhstan.

ASTANA 00000044 006.3 OF 027

In June 2005, President Nazarbayev signed the Law on Currency Regulation and Currency Control. This law lifted restrictions on money transfers, allowing residents and non-residents to take up to \$10,000 in cash out of the country without documentation of the money's origin. However, the transfer of cash amounts exceeding \$3,000 must be declared, and the transfer of amounts exceeding \$10,000 must be accompanied by National Bank certification. Beginning January 1, 2007, all licensing requirements and procedures for foreign-currency operations were eliminated. Since that time, agencies conducting transactions with foreign currency, including bank payments and transfers relating to capital movements, must simply notify or register at the central bank their operations.

The National Bank requires an "Import [or] export transaction passport," ostensibly for the purpose of currency control. The document, which re-states information from other documents, complicates import and export processing. The law's effectiveness for its stated purpose -- to ensure that the proceeds from export sales are returned to Kazakhstan and to prevent money laundering and fraudulent over-invoicing of imports -- is questionable.

The 2005 Law on Currency Regulation and Currency Control was amended in July 2009. Some amendments further liberalize currency controls.

The ceiling for transactions requiring passports was increased from \$10,000 to \$50,000. Residents have a right to calculate the terms for repatriation of profit (though based on methods and limits set by the National Bank). Individuals also can open bank accounts in foreign banks without notifying the National Bank. In addition, the ceiling for capital movement operations subject to notification or registration at the National Bank also was raised from \$50,000 to \$100,000 for capital outflow; and from \$300,000 to \$500,000 for capital inflow. Export-import credits, with the exception of transactions requiring passports and financial loans with terms longer than 180 days will remain under the registration regime. Borrowers or lenders must register credit transactions with the National Bank before making them.

Meanwhile, amendments enhanced the responsibility for non-payment of foreign currency on external trade contracts. In particular, administrative charges will be applied for non-payments exceeding \$50,000, and criminal charges can be initiated for non-payments over 10,000 monthly calculated indexes (e.g., around \$95,000 for 2010).

Amendments also specified measures for a "special currency regime," which only can be introduced in emergency situations -- when the country's economy and financial system's stability are in jeopardy. Measures may include requirements for companies to retain a certain percentage of their foreign currency profits in the National Bank of

Kazakhstan or other authorized banks, the mandatory sale of foreign currency earnings, and limits on the use of foreign bank accounts. Considered an extreme measure, its application in the foreseeable future appears unlikely.

The National Bank regularly monitors the currency operations of selected non-residents. This procedure primarily affects the oil and gas, construction, and mining industries, and companies providing architectural, engineering and industrial-design services.

According to the National Bank, this monitoring provides better statistical data on the balance of payments and external debt.

In July 2007, Kazakhstan adopted an amendment to its Customs Code, requiring submission of export declaration forms of country of origin to bring goods into Kazakhstan. An unintentional virtual shutdown for imports from many countries, particularly the United States, resulted. The July amendment was repealed in November 2007, ending the problem.

The U.S. Embassy is not aware of any concerns with regard to remittance policies or availability of foreign exchange for remittance of profits.

In 2001, the government announced an amnesty for all Kazakhstani

ASTANA 00000044 007.3 OF 027

citizens repatriating cash or transferring money during a 30-day period. The legalized money was not taxed and became available to its owners at the end of the amnesty period. Kazakhstanis repatriated \$480 million under this amnesty, of which almost 90% was brought to banks in the form of cash. Another amnesty, which concluded on August 1, 2007, resulted in the legalization of nearly \$7 billion in property.

A.3. Expropriation and Compensation

The 2003 Investment Law represents a step back from the clarity of the 1994 law with regard to expropriation and compensation. The 2003 law allows nationalization by the state in emergency cases "as provided in legislative acts of the Republic of Kazakhstan." Unlike the 1994 law, it does not provide clear grounds for expropriation. Similarly, the 1994 law required "prompt, adequate and effective" compensation at fair market value, with interest. The 2003 law differentiates between nationalization and requisition, providing full indemnification of the investor in the case of the former, but only payment of market value in the case of the latter. Bilateral investment treaties (BITs) between Kazakhstan and other countries, including the United States, also refer to compensation in the event of expropriation.

There has been one case of legal expropriation of a foreign investor's property for public purpose. The investor ultimately submitted the case for international arbitration. In May 2006, after lengthy delays and negotiations, the government paid the amount awarded by the arbiter.

A.4. Dispute Settlement

There have been a number of investment disputes involving foreign companies in the past several years. While the disputes have arisen from unrelated, independent circumstances, many are linked to alleged breaches of contract or non-payment on the part of Kazakhstani state entities. Some disputes relate to differing interpretations of joint-venture-agreement and production-sharing-agreement (PSA) contracts. One questions the legality of the government's use of ex-post facto regulations governing value added taxes. In some instances, the disputes involve hundreds of millions of dollars. A recurring theme remains the unpredictability of actions taken by tax authorities and other regulatory agencies. Kazakhstan is still building the institutional capabilities of its court system. Until it completes this process, the performance of courts in the country will be less than optimal. Problems also arise in the enforcement of judgments. Given a relative lack of judicial independence, ample opportunity for interference in judicial cases exists.

Kazakhstan's Civil Code establishes general commercial law

principles.

The 2003 Investment Law defines an investment dispute as "a dispute ensuing from the contractual obligations between investors and state bodies in connection with investment activities of the investor." It states that such disputes can be settled by negotiation, in Kazakhstani courts, or through international arbitration. According to the law, disputes not falling within the above-noted category "shall be resolved in accordance with the laws of the Republic of Kazakhstan," thus restricting recourse to international arbitration in favor of the Kazakhstani judicial system. While some investors find this legislation problematic since it does not address disputes between private entities, others believe that Kazakhstan's Civil Code and Civil Procedure Code provide private parties with recourse to foreign and/or third party courts.

Additionally, in December 2004, Kazakhstan adopted a law on international arbitration. The law appears to give broad authority for judicial review of arbitral awards in Kazakhstan. An early test case yielded decidedly mixed results. In 2005, a U.S. company became embroiled in a dispute over payment for the sale of its

ASTANA 00000044 008.3 OF 027

shares in a joint venture to a group of Kazakhstani companies. The London Court of International Arbitration (LCIA) issued a preliminary ruling ordering the shares frozen pending its final decision. The acting Kazakhstani court, however, ignored the LCIA's ruling and proceeded with its own hearings. The Supreme Court of Kazakhstan ultimately decided the case in favor of the U.S. company.

In January 2006, however, the Astana City Court relied on an international convention loophole to decline the LCIA's award of legal costs to the U.S. firm on the grounds that doing so would be detrimental to "public order" in Kazakhstan. In May 2006, that decision was overturned, and the legal costs were awarded.

Kazakhstan has been a member of the International Center for the Settlement of Investment Disputes (ICSID) since December 2001.

Any international arbitral award rendered by the International Center for the Settlement of Investment Disputes (ICSID), any tribunal applying the United Nations Commission on International Trade Law Arbitration rules, the Stockholm Chamber of Commerce, the London Court of International Arbitration, or the Arbitration Commission at the Kazakhstan Chamber of Commerce and Industry should, by law, be enforced in Kazakhstan

The U.S.-Kazakhstan Bilateral Investment Treaty can serve to buttress the Investment Law in this area. Kazakhstan ratified the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1995.

Although creditor rights are set forth clearly in the 1997 bankruptcy law, its complexity and numerous subsequent amendments result in considerable misapplication in practice. The latest amendments passed in July 2008 and February 2009. The law now contains a detailed list of creditors' rights and prescribes a mechanism for their enforcement. The 2008 amendments elaborated a comprehensive list of the governmental authorities involved in bankruptcy procedures and expanded the rights of enterprises during possible rehabilitation procedures. The Committee on Work with Insolvent Debtors, operating under the umbrella of the Ministry of Finance, is Kazakhstan's official bankruptcy agency. Monetary judgments are normally made in domestic currency.

In general, the government of Kazakhstan has a mixed record of addressing investment disputes. Foreign investors often have endured protracted negotiations. Most investors prefer to handle investment disputes privately, rather than make their cases public. The U.S. Embassy advocates on behalf of U.S. firms with investment disputes.

Due to BTA and Alliance banks' restructuring negotiations and cases filed in London by some former stockholders of BTA bank, the government of Kazakhstan enlarged the competence of the Specialized Almaty Financial Court. According to amended article 28 of the Civil Code, civil suits about the restructuring of financial

institutions now fall within the jurisdiction of the Almaty Financial Court. The new Chapter 34-1 of the Civil Code defines an order of proceedings of restructuring cases in the courts. According to this chapter, all court orders, including claims by creditors, preceding the creation of the Almaty Financial Court on restructuring should be suspended. Furthermore, the Court must approve creditor-agreed restructuring plans.

A.5. Performance Requirements and Incentives

The Investment Committee under the Ministry of Industry and Trade monitors the fulfillment of investor obligations. If the committee determines that a company has not complied with its financial or other contractual obligations, the government may revoke the company's operating license.

The 2003 Investment Law and 2008 Tax Code provide for tax preferences, customs duties exemptions, and in-kind grants as incentives for foreign and domestic investment in

ASTANA 00000044 009.3 OF 027

government-determined priority sectors. As of 2009, investors receive tax preferences automatically after implementation of projects in non-extractive sectors. The Tax Committee of the Republic of Kazakhstan and local authorities administer these preferences. The Investment Committee makes decisions on customs duties exemptions (with notification to customs authorities) and in-kind grants on a case-by-case basis. The Ministry of Industry and Trade reported that it signed 400 contracts with such preferences for a total of about \$7-8 billion over the last ten years. Approximately a quarter of these investments included foreign involvement. The law allows the government to rescind such incentives and collect back payments if an investor fails to fulfill contractual obligations.

Largely focused on selected priority sectors, the system of preferences echoes the government's policy of economic diversification away from the extractive sector. The overall list contains 245 types of activities grouped into 36 categories. Those priority sectors include agriculture, construction, metallurgy, chemistry and pharmaceuticals, oil refining, oil and gas infrastructure, transport and information communication, power, machinery, tourism and space activity. The system applies to new enterprises, as well as to existing enterprises making new investments. The duration of tax preferences increases with the size of investment. Although not explicitly required, technology transfers frequently occur, and sometimes are included in contracts. Because of the accelerated, post-crisis, industrial-development program, the government has increased its emphasis on technology transfers in foreign investor cooperation.

The government of Kazakhstan intensified its promotion of local content in 2009. On December 30, 2009, President Nazarbayev signed a decree in support of Kazakhstani producers. This law allows the imposition of administrative charges for violations of government procurement rules, specifically local-content requirements. According to new tender rules, proposals that include significant proportions of locally-produced goods and services will receive a discount (i.e., preferential treatment). Tender commissions, as well as bidders, that do not follow local-content requirements may face administrative prosecution. This rule applies to government agencies, state-owned enterprises, national holding companies such as Samruk-Kazyna, and subsoil users, both domestic and foreign.

In addition, the Kazakhstani government is elaborating its official concept for the development of Kazakhstani content. A mandate of substantial increases by 2014 in the local-content share of Kazakhstani-produced goods (up to 50%) and Kazakhstani-produced services (up to 90%) is expected.

Typically, an investor's obligations might also include an obligation to train local specialists and contribute to the social development of the respective regions.

There are no known cases in which U.S. or other foreign firms have been denied participation in government-financed or subsidized

research and development programs on a national basis.

The government has liberalized its trade policies and passed legislation to begin bringing its legal and trade regimes into conformity with World Trade Organization (WTO) standards. Kazakhstan submitted its Memorandum on the Foreign Trade Regime (MFTR) in 1996 and the first round of consultations on WTO accession took place in 1997. Kazakhstan has made significant progress in implementing the legal framework necessary for accession and signed bilateral protocols on market access for goods and services with several of its major trading partners. As of January 1, 2009, Kazakhstan had completed bilateral negotiations with 21 of 26 members of the Working Party. However, accelerated creation of the Customs Union impeded this process. Russia, Belarus, and Kazakhstan officially signed legal agreements to create the Customs Union on November 27, 2009 in Minsk. According to the agreements, a common external trade tariff is enacted January 1, 2010.

ASTANA 00000044 010.3 OF 027

Kazakhstan's entrance into the Customs Union will almost double its average import tariff. Kazakhstan will retain some flexibility in applying the common external import tariff regime. For example, Kazakhstan will have no tariff on over 900 specific commodity items, including modern aircraft, certain types of engines, and raw materials needed in the food processing industry, such as tropical fruits. Over 400 specific commodity items will be subject to a transitional period varying from one-and-half to five years. These items include pharmaceuticals, medical equipment, processed aluminum products, raw materials for the petrochemical industry, paper products, rail wagons, combines, and tractors. In some specific cases, Customs Union member states also can apply protective import tariffs on selected goods without the consent of the other members, but only for six months per year and for a maximum of five years. The member states have agreed to grandfather all previously existing protective and anti-dumping measures at the time of accession into the Customs Union. The Customs Union implementation timeline anticipates implementation of the new common Customs Code and abolishment of the Russian-Belarus customs border on July 1, 2010. The Kazakhstanian-Russian customs border is scheduled for abolishment on July 1, 2011.

Despite the creation of the Customs Union, Kazakhstan is expected to continue to offer preferential treatment to investors outside of the extractive sector in an effort to promote economic diversification.

Kazakhstan is also a member of the Eurasian Economic Community (EEC), along with Russia, Kyrgyzstan, Belarus, and Tajikistan. Armenia, Moldova, and Ukraine have observer status. Kazakhstan permits the importation of goods from EEC partners and certain developing or less-developed countries duty-free, or at a reduced rate.

A.6. Right to Private Ownership and Establishment

Foreign and domestic private entities have the right to establish and own business enterprises and to engage in all forms of remunerative activity. Private entities can freely buy and sell interests in business enterprises. However, state-owned enterprises sometimes enjoy better access to markets, credits, and licenses than private entities.

Kazakhstan's constitution provides that land and other natural resources may be owned or leased by Kazakhstanian citizens according to conditions established by law. The 2003 Land Code allows citizens of Kazakhstan to own agricultural land and urban land with commercial and non-commercial buildings and complexes, including dwellings and land used for servicing these buildings. Under the Land Code, only Kazakhstanian citizens (natural and legalized) and Kazakhstanian companies may own land. The Land Law does not allow private ownership for the following types of land:

- land used for national defense and national security purposes;
- specially-protected natural territories, resorts, recreational land and territories of a historical and/or cultural significance;

- forests, water reservoirs (lakes, rivers, canals, etc.), glaciers, swamps, etc.;
- public areas (urban or rural settlements);
- main railways and public roads;

Short-term land leases may last up to five years. The maximum period for long-term land leases are 49 years. Foreigners may rent agricultural land for up to 10 years. Foreigners may also own agricultural land through either a Kazakhstani-registered joint venture or a full subsidiary.

A.7. Protection of Property Rights

Secured interests in property (fixed and non-fixed) are recognized under the Civil Code and the 2003 Land Code. Mortgage lending grew

ASTANA 00000044 011.3 OF 027

dramatically in recent years, though decelerated in 2007-2009 due to the global financial crisis. A credit bureau system is in the very early stages of development. All property and lease rights for real estate must be registered with special government-owned Real Estate Centers, which exist in cities and rural district centers.

In principle, Kazakhstan's Civil Code protects U.S. intellectual property. In addition, the U.S.-Kazakhstan Trade Agreement, which came into force in 1993, obliges Kazakhstan to protect intellectual property rights (IPR). In 2004, Kazakhstan ratified the 1997 World Intellectual Property Organization (WIPO) Copyright Treaty and the WIPO Performances and Phonographs Treaty, and amended the Copyright Law to affirmatively protect pre-existing works and sound recordings. In 2005, Kazakhstan amended its Criminal and Civil Codes to make IPR crimes easier to prosecute and to toughen penalties for violators. The 2005 amendments played a significant role in USTR's 2006 decision to remove Kazakhstan from the Special 301 Watch list. While Kazakhstan has demonstrated a commitment to improving its IPR regime, substantial weaknesses, particularly in the area of civil dispute resolution, remain.

Patent protection is available for inventions, industrial designs, and prototypes. Patents for inventions are available for novel processes and products that have industrial applications. The National Institute of Intellectual Property performs formal examination of patent applications. Patents for inventions are granted for 20 years. Patents for utility models are granted for a five-year period with a possible three-year extension. Prototypes are granted a 10-year initial period of protection, with the possibility of an additional five-year extension. Kazakhstani legislation also permits an "innovation" patent, which is granted for inventions for an initial three-year period with a possible extension for two years. Issued after only checking the local novelty of an invention, an innovation patent is expected to boost local-business innovation. Unsuccessful applicants can appeal decisions of the National Institute of Intellectual Property and the Committee for Intellectual Property Rights. Kazakhstan is a member of the Moscow-based Eurasian Patent Bureau and the Munich-based European Patent Bureau.

Trademark violation is a crime. Despite historically-questionable enforcement, U.S. companies are generally confident that their trademarks are protected in Kazakhstan. Still, imported counterfeit goods can commonly be found at local markets. Marked disparities in fees charged to domestic patent and trademark applicants, as compared to foreign applicants, exist. Applications for trademark, service-mark, and appellations-of-origin protection should be filed with the National Patent Office and approved by the Committee for Intellectual Property Rights. Trademarks and service marks are afforded protection for 10 years from the date of filing. The Law on Copyrights and Related Rights was enacted in 1996. The law largely conforms with the requirements of the WTO TRIPS Agreement and the Berne Convention.

Ex officio authority of customs officials to seize counterfeit products at the border came into force on January 1, 2010. President Nazarbayev signed the relevant amendments to the Customs Code in December 2009.

Amendments to the Administrative, Criminal, and Civil Procedural Codes have been adopted to bolster IPR enforcement capabilities. IPR enforcement measures, while still somewhat sporadic, are increasingly robust. Prosecutions, under both the Criminal and Administrative Codes, have led to a steady legitimization of the domestic trade in copyrighted material. Progress in IPR protection through civil courts is less pronounced as the judicial system develops the expertise necessary to resolve more complex civil disputes.

Illegal software development and manufacture generally is not conducted in Kazakhstan. Russia and Ukraine are believed to be the major sources to the local market.

ASTANA 00000044 012.3 OF 027

Kazakhstan ratified the Berne Convention for the Protection of Literary and Artistic Works in 1998 and the Geneva Phonograms Convention in 2000.

A.8. Transparency of Regulatory System

Transparency in the application of laws remains a major problem in Kazakhstan and an obstacle to expanded trade and investment. Foreign investors complain of inconsistent standards and corruption.

While foreign participation is generally welcomed, some foreign investors point out that the government is not always even-handed and sometimes reneges on its commitments. Although the Investment Committee of the Ministry of Industry and Trade was established to facilitate foreign investment, it has had limited success in addressing the concerns of foreign investors.

Opportunities for public comment on proposed laws and regulations are sporadic and generally limited. Contradictory norms often hinder the functioning of the legal system. While Kazakhstan recently has defined more clearly which laws take precedence in the event of a contradiction, stability clauses granted investors under previous versions of the Foreign Investment Law or other legislation may not necessarily protect investors from changes in the legal and tax regulatory regime. The 2003 Investment Law holds that contracts signed subsequent to its enactment may be subject to domestic legislative amendments and international treaty provisions that change "the procedure and conditions of the import, manufacture, and sale of goods subject to excise duties." Regional authorities can create additional bureaucratic encumbrances, especially in the licensing and issuance of permits.

Kazakhstan, by law, will provide compensation for violations of contracts that were properly entered into and guaranteed by the government. Where the government has merely "approved" or "confirmed" a foreign contract, Kazakhstan's responsibility is limited to the performance of administrative acts (i.e., those "concerning the issuance of a license, granting of a land plot, mining allotment, etc.") necessary to facilitate the subject investment activity.

Kazakhstan's institutional governance is weak, further adding to the problems of transparency in commercial transactions. Senior government officials have a large say in minor and major transactions, and decisions are often made behind closed doors. A 2007 Licensing Law established the legal framework for licensing activities in Kazakhstan. It requires the relevant agency to issue a license within one month of a company's submission of all required documents. The 2007 law simplified procedural requirements for issuing licenses, reduced the number of licensed activities from 426 to 349, and introduced a mechanism to help prevent the extension of this list by other legal acts. Experts estimate that overall licensing for the period 2004-2009 was reduced three-fold, and licensing for agriculture, education, and health care has been decentralized. However, licensing remains problematic, particularly for small- and medium-sized enterprises.

A.9. Efficient Capital Markets and Portfolio Investment

Kazakhstan's efforts to create a sound financial system and stable macroeconomic framework have been notable among former Soviet

republics. Much progress has been made in the creation and implementation of an adequate legal framework. In comparison with other parts of the economy, reform of the financial system has been deeper and more effective. The financial system has started to mediate financial resource flows and direct them to the most promising parts of the economy. Official policy clearly supports credit allocation on market terms and the further development of legal, regulatory, and accounting systems consistent with international norms.

Most domestic borrowers receive credit from Kazakhstani banks.

ASTANA 00000044 013.3 OF 027

However, foreign investors find the margins taken by local banks and the collateral required for credit to be very onerous. It is usually cheaper and simpler for them to use retained earnings or borrow from their home country. Because the Kazakhstani Stock Exchange is struggling to gain momentum, it is not yet a realistic source of funds (see below). Since 1998, Kazakhstani banks have placed Eurobonds on international markets and obtained syndicated loans, the proceeds of which have been used to support domestic lending. Leading Kazakhstani banks were able to obtain reasonably good ratings from international credit assessment agencies. However, the global crisis hit the country's economy, and drastically changed the attitude of foreign investors to Kazakhstan and the landscape of banking sector.

The National Bank has demonstrated an ability to maintain a stable exchange rate and strike a balance between keeping inflation down and supporting the economy and financial sector. The National Bank spent approximately \$6 billion from its foreign currency reserves during the last quarter of 2008 and January 2009 to defend the tenge. On February 4, 2009, the National Bank allowed the tenge to devalue from a level of 122 tenge. The new target rate of 150 tenge to the dollar was expected to conserve foreign-exchange reserves and increase domestic competitiveness. Due to favorable oil and commodity prices at world markets in 2009, the National Bank successfully maintained the exchange rate within the promised corridor of 145-155 tenge to the dollar and replenished its international reserves. The National Bank's gold and foreign-currency reserves grew by 16.8 percent from \$19.87 billion on January 1, 2009 to \$23.2 billion on January 1, 2010. The liquidity crunch and efforts to boost the economy forced the National Bank to adjust its monetary policy. In the course of 2009, the refinancing rate was reduced consecutively six times from 10% in January 2009 to 7% in December 2009.

The global liquidity crisis, which hit in late summer 2007, presented a substantial challenge to the Kazakhstani banking system, which had come to rely heavily on external borrowing over the preceding five-year period. Kazakhstani banks had been directing much of the borrowed funds into the country's construction and real-estate sectors, particularly in the form of construction-financing and mortgages for new housing in Astana and Almaty. The sudden global liquidity dry-up abruptly left some leading Kazakhstani banks unable to continue their aggressive external borrowing, forcing them to curtail their domestic-lending activity. While policymakers widely saw this development as a healthy correction in view of the preceding liquidity glut, the National Bank of Kazakhstan and the government introduced measures in late 2007 to provide liquidity to the banking system and inject capital in the cooling construction sector. Continued world-wide financial turmoil, marked by falling commodity prices and increasing unemployment have exacerbated the situation of Kazakhstan's largest banks. In October 2008, the Kazakhstani government announced stabilization plans that included the purchase of 25% ownership stakes of Kazakhstan's four largest private banks, thereby injecting an additional \$4 billion in to the banking system. In order to prevent banking-sector collapse, state-owned Samruk-Kazyna National Welfare Fund took over BTA and Alliance banks, the second and fourth largest Kazakhstani banks, in February 2009. In April 2009, BTA and Alliance banks announced their default on principal payments. In July 2009, BTA declared a moratorium on interest payments as well. Both banks are conducting restructuring negotiations and hope to reach final agreements with creditors early in 2010. As of April 2009, the total external debt of BTA bank was

valued at \$13 billion, with \$3 billion due to be repaid in 2009. Alliance Bank's total debt due after August 2009 eligible for restructuring was estimated at \$4.2 billion.

Kazakhstani authorities took former top managers of BTA and Alliance Banks to court on corruption charges.

In May 2009, another Kazakhstani financial institution, "Astana-Finance JSC," announced a default and began restructuring

ASTANA 00000044 014.3 OF 027

talks with creditors. In October 2009, Temir Bank, affiliated with BTA bank, also announced a default and started negotiations with National Welfare Fund Samruk-Kazyna on recapitalization.

International donor organizations and local analysts unanimously agree that the situation in the banking sector deteriorated significantly in 2009. The slowing economy (according to the preliminary government assessment, annual GDP growth reached 0.5-1% in 2009 versus 3% in 2008) and exchange-rate devaluation increased pressure on the banks. As of December 1, 2009, the share of non-performing loans (NPLs) reached 31.2% of banks' total loan portfolio. Although the total external debt of commercial banks decreased in 2008-2009, the level remained high (\$32.2 billion as of June 30, 2009). The government, National Bank, and Financial Supervision Agency (FSA) took a multi-pronged approach to overcome the banking sector's challenges. In December 2008, the government increased the maximum limit for deposit insurance seven-fold from 700,000 tenge (just under \$6,000) to 5 million tenge (about \$33,000). The total government bail-out package for the banking sector totaled around \$10 billion. In 2010, the FSA and National Bank are expected to begin implementation of the "Financial Sector Development in post-crisis period" concept, according to which the FSA's control and regulatory functions will be significantly strengthened. (NOTE: The FSA, Kazakhstan's main financial regulator, has broad authority over the banking and insurance sectors, as well as the stock market. The FSA is financed from the National Bank's budget and subordinate to the President of Kazakhstan. END NOTE.)

Kazakhstani authorities' efforts appear to be boosting confidence in the banking sector. According to the FSA, private deposits have rose 23.3% January-November, 2009. As of December 1, 2009, the total amount of private deposits reached approximately \$12.5 billion.

In operation since 1997, the Kazakhstani Stock Exchange (KSE) merged with the Almaty Regional Financial Center (AFC) in 2008, and new listing rules were introduced. Inadequate financial records prevent many companies from being put on the exchange. Moreover, company managers fear diluting control of their enterprises by selling shares.

As of October 1, 2009, the total capitalization of the KSE was \$65.2 billion, or 56.8% of GDP. Despite a negative trend of declining value since mid-2007, capitalization of the stock exchange in both the absolute value of total capitalization and capitalization relative to GDP slightly increased in 2009.

Due largely to Kazakhstani companies' recalcitrance to dilute ownership and provide extensive disclosure, the Kazakhstani debt market is substantially more developed. In October 2009, debt instruments accounted for 58.72%, stocks were 18.41 %, and government papers comprised 22.48% of total KSE trade.

Since 1999, several dozen bank and non-bank corporations, large and small, have issued bills, notes, and bonds with maturities ranging from three months to seven years. Rates for borrowers have declined on average from approximately 16% in September 1999 to approximately 9% in 2006. Maturities have increased from one-and-a-half years to up to 10 years during the same period. Earlier issues were matured and redeemed. However, defaults began in 2009. As of December 1, 2009, 25 companies defaulted on 43 issues of corporate bonds, a total nominal value of which equaled 273.98 billion tenge (approximately \$1.85 billion). Nevertheless, in contrast to stock-market debt instruments, yield rates grew in 2009 from 12.3 %

at the end of 2008 to 15%. In 2009, the volume of trade in government securities grew by 21% and reached \$9.44 billion. As of December 2009, the effective yield rate on middle-term government notes (with a three-year maturity) was up to 7.64%. Longer-term government notes (with maturities up to 10 years) were offered at 6.5%.

ASTANA 00000044 015.3 OF 027

Trading on the KSE is overwhelmingly dominated by block trades, liquidity is low, and the spreads are extremely wide. In 2006, several large Kazakhstani companies issued initial public offerings on the London Stock Exchange (LSE). In compliance with a 2006 law requiring a domestic issuance to accompany any foreign IPO by a Kazakhstani company, these companies also offered shares on the KSE.

Despite these offerings and the Kazakhstani pension funds' (see below) tentative moves to invest in KSE-traded shares, the exchange remains in a very early stage of development. The crisis years 2008-2009 again proved the KSE's insignificance. Decreased capitalization and diminished transaction volumes at KSE have not impacted the overall economic situation and financial markets due to the stock market's underdevelopment.

The plans for the "Almaty Financial Center" (see below) and upcoming new concept of Financial Sector Development aim to spearhead the development of Kazakhstan's securities markets.

In 1998, the government introduced an accumulative pension system that requires all employed persons to contribute 10% of their salary to the pension funds. As of November 2008, the 14 funds (13 private and one state-owned) operating in Kazakhstan held approximately \$11.5 billion in pension savings. Custodian banks hold pension assets. Asset management companies invest the contributions on behalf of the pension funds. While the government provides specific restrictions on pension funds' investments, these restrictions were relaxed in 2006, allowing some involvement in Kazakhstani equities. As of 2009, pension assets must still be invested in specific categories of securities, including corporate and government bonds and securities issued by foreign governments and foreign corporate securities. In addition, around 5% of pension funds' assets are deposited in commercial banks. Pension funds overall did not fare well in 2008-2009 because of global losses and risky investment policies. In November 2009, four pension funds had total losses amounting to \$6.6 million. A generally positive dynamic exists. The total net profit of all pension funds was \$138 million in November 2009. The government planned to sell some shares of state enterprises on the national stock market, in part to provide a more profitable, alternative vehicle for the investment of pension fund assets. Amendments made to pension fund legislation in November 2008 guarantee the preservation of pension savings, and grant individual investors the right to choose either a conservative, moderate, or aggressive type of individual investment portfolio.

There appear to be no "cross-shareholding" or "stable shareholder" arrangements used to restrict foreign investment in private firms through mergers and acquisitions. Joint-stock companies may not cross-hold more than 25% of each other's stock unless they have an exemption codified by law, and may not exercise more than 25% of the votes in a cross-held joint-stock company. Kazakhstani law recognizes companies as "related" if one company or legal entity holds more than 20% of the shares of another. However, the owning company may not vote more than 25% of the total shares at the general meeting of shareholders of the related company. The general meeting must approve various corporate actions, such as mergers and acquisitions. This rule applies to all persons, domestic or foreign.

There have been very few hostile takeovers in Kazakhstan, primarily because there are few publicly-traded firms. Defensive measures are not targeted toward foreign investors in particular. Current legislation provides a legal framework for takeovers. The Civil Code requires a company that has purchased a 20% share in another company to publish information about the purchase. However, business realities show that successful local companies may not be well enough protected from professional hostile takeovers in most cases.

The 1998 Law on Joint-Stock Companies provides the basis for the regulation of open and closed-type joint-stock companies. It also contains clauses to protect investors in often-abused circumstances, such as:

ASTANA 00000044 016.3 OF 027

- issuance of additional shares;
- maintenance of charter capital and restrictions on payments of - dividends;
- re-purchase by a company of its own shares;
- debt-to-equity conversions;
- fiduciary duties imposed on company officers;
- proxy votes;
- independent audit; and
- the determination of asset values during the sale of company property.

The Law on Joint-Stock Companies also regulates tender offers for stock of open joint-stock companies by requiring the purchaser to notify the Financial Supervision Agency and target company of its intention to purchase 30% or more of the target company. After such purchase, the buyer must offer to all remaining shareholders to purchase their shares at the average price over the six months prior to purchase.

No laws or regulations specifically authorize firms to adopt articles of incorporation or associations, which limit or prohibit foreign investments. The Law on Joint-Stock Companies, however, allows charter limits on the number of shares or votes that one shareholder may have.

In March 2007, the government adopted legislative amendments to protect minority stockholders' interests. Numerous violations of their interests and the government's desire to promote the development of the stock exchange prompted the law's enactment.

Standards, including sanitary and phyto-sanitary standards, are promulgated solely by the Committee for Technical Regulation and Metrology (Gosstandard). Technical committees constituted by Gosstandard, and which may include producers, scientific and engineering associations, and technical experts, prepare proposals for the adoption, amendment, or abolishment of state standards. International multilateral and bilateral agreements regulate foreign participation in the standardization process.

A.10.Competition from State-Owned Enterprises

Formally, private enterprises can compete with public enterprises under the same terms and conditions. However, state-owned enterprises do enjoy better access to markets, credits, and licenses than private entities (see section A.6. Right to Private Ownership and Establishment).

The government of Kazakhstan actively consolidated state-owned enterprises in recent years. As of the end of 2009, the following state-owned holding companies existed in Kazakhstan:

11. Samruk-Kazyna National Welfare Fund created in October 2008 through a merger of the Samruk State Holding Company and Kazyna Sustainable Development Fund. Modeled on Singapore's Temasek, Kazakhstan's largest national holding company manages the state's assets in oil and gas, energy, transportation, telecommunication, and financial and innovation sectors. According to some estimates, Samruk-Kazyna controls around 91% of Kazakhstan's assets in total.

12. KazAgro manages the state's agricultural holdings, including the National Food Contract Corporation (wheat trade), KazAgroFinance (leasing to farmers), Agrarian Credit Corporation, Corporation on Livestock Development, and Fund of Financial Assistance to Agriculture. Chaired by the Deputy Prime-Minister, the Board of Directors includes the Ministers of Finance, Agriculture, and Economy and Budget Planning and three independent directors. KazAgro closely interacts with the Ministry of Agriculture.

13. National Holding Parasat is charged with stimulating the development of scientific research and domestic know-how in the high-tech sector. The holding company manages several scientific

ASTANA 00000044 017.3 OF 027

institutions and funds. Chaired by the Minister of Education of Science, the Board includes the Chairmen of the Informatization and Telecommunication Committee and Science Committee and President of the National Telecommunication Company.

14. Created in May 2008, National Medical Holding company seeks to implement business-oriented innovative corporate management in the newly built hospitals of Astana city. Prime-Ministerial Decree appoints the Managing Board's Chairman who is subordinate to the Ministry of Health and Prime Minister's office; Created for the efficient management of state-owned media resources, National Holding company Arna-Media controls the activity of, among others, Khabar Agency (Khabar TV channel), KazTeleRadio, newspapers "Kazakhstanskaya Pravda" and "Yegen Kazakhstan" (official government press), and broadcast company "Katelko." Arna-Media reports to the government of Kazakhstan.

In addition, seven regional Social Entrepreneurial Corporations (SECs) consolidate all governmental assets in the regions. SECs are expected to serve as a link between business and regional governments. In 2009, the Ministry of Industry and Trade received control over all SECs' stocks.

National Welfare Fund "Samruk-Kazyna" unifies all key national companies of the Kazakhstani economy. As of the end of 2009, Samruk-Kazyna had 36 subsidiaries and affiliated companies, including "KazMunaiGas" (oil and gas), "Kazakhstan Temir Zholy" (rail way company), "KazakhTeleCom," "KazPost," Air Astana, KEGOC (electricity grid operating company), and a number of development institutions, such as the Development Bank of Kazakhstan, Investment Fund, Innovation Fund, and Kazakhstani Export Promotion Center. Development institutions aim to stimulate the country's non-extractive sector and diversify the economy. In addition, Samruk-Kazyna continues to establish new companies, such as the United Chemical Company and Mining Company "Tau Ken-Samruk."

The Prime Minister chairs the Board of Directors of Samruk-Kazyna, on which the Ministers of Finance, Industry and Trade, Economy and Budget Planning, and Energy and Mineral Resources, the assistant to the President of Kazakhstan, and two foreign independent directors serve. In February 2009, President Nazarbayev signed a separate law on the National Welfare Fund "Samruk-Kazyna". According to this law, Samruk-Kazyna acquired a special status and rights. Samruk-Kazyna thus can conclude large transactions between members of the Samruk-Kazyna group without public notification. (NOTE: According to Kazakhstani law, all joint-stock companies must notify the public of large transactions. END NOTE.) Samruk-Kazyna also has a pre-emptive right to buy strategic facilities and bankrupt assets. Samruk-Kazyna is exempted from government procurement procedures and has the right to establish its own procurement rules. Moreover, the government can transfer to Samruk-Kazyna state-owned property. Experts believe this provision allows a simplified process to transfer state property to private owners (i.e., state property can be easily privatized without any tender process or observation of privatization legislation).

The law requires National Holding Companies to publish annual reports and submit their books to independent audit. In 2009, Standard&Poors assessed Samruk-Kazyna's transparency at 24 out of a possible score of 100.

National Oil Fund:

Being an oil-rich country, Kazakhstan has a sovereign wealth fund, which is called the National Oil Fund of the Republic of Kazakhstan. Established by Presidential decree in 2000, the fund aims to diminish the country's budgetary dependence on fluctuations of world oil prices and to accumulate savings for the benefit of future generations. The Fund accumulates all direct taxes from the oil sector, revenues from the privatization of state property in mining and manufacturing industries, and revenues from sales of farmlands.

As the government's agent, the Ministry of Finance owns the National

ASTANA 00000044 018.3 OF 027

Fund, and the National Bank is a trustee of the Fund. The National Bank also selects and hires external administrators from internationally-recognized investment companies or banks. Information on external administrators and the assets they manage is confidential.

Two portfolios -- stabilization and saving -- compose the National Fund. Not fixed, distribution of assets between these two portfolios depend on the economic situation. The National Fund invests in the domestic economy through "official transfers." The budget law approves the annual size of official transfers from the National Fund to the national budget. These official transfers cannot exceed one third of the National Fund's assets, and in principle, only should finance development projects. In 2008- 2009, the government and National Bank had to increase National Fund spending for their bail-out package. As a result, the stabilization portfolio increased in comparison to the saving portfolio. According to the government's Anti-Crisis program approved in 2008, around \$10 billion of the National Fund was directed for stabilization purposes. Samruk-Kazyna was assigned as the operator of these funds.

The Ministry of Finance and National Bank prepare the National Fund's annual report, which the President approves. In addition, the Ministry of Finance and National Bank publish on their websites (www.minfin.kz, www.nationalbank.kz) monthly and annual reports on revenues and use of the National Fund money. Although these reports provide information on the Fund's general financial situation, they do not provide details. As of January 1, 2010, the National Fund's assets totaled \$24.37 billion. Total international reserves of the country, including the National Bank's foreign currency reserves, equaled \$47.6 billion (in current prices).

A.11. Corporate Social Responsibility

Even though Kazakhstan has not adhered to the OECD Guidelines for Multinational Enterprises, the idea of corporate social responsibility is well known in Kazakhstan due to the government's promotion of it. In his addresses to foreign investors and local businesses, President Nazarbayev has asked them to proactively implement principles of social responsibility, including by supplying quality goods and services to customers, providing occupational safety, legally paying workers, and investing in human growth potential. The President annually awards "Paryz" ("Honors" in the Kazakh language) for achievements in the area of corporate social responsibility. In 2009, a U.S. company was awarded the Golden Paryz for the best collective agreement. Companies who employ corporate social responsibility approaches are viewed favorably, especially in the regions.

A.12. Political Violence

There have been no incidents of politically-motivated violence against foreign investment projects, and politically-motivated civil disturbances remain exceptionally rare. Stable since independence, Kazakhstan has good relations with its neighbors. The government continues to express concern over the security of its borders with Kyrgyzstan and Uzbekistan, which it views as vulnerable to penetration by extremist groups.

Kazakhstan's 2007 parliamentary elections took place without violence or unrest. President Nazarbayev's Nur Otan party won every seat in the lower house of parliament, with an overwhelming majority of the votes. In its assessment, the Organization for Security and Cooperation in Europe (OSCE) noted that the election did not meet a number of OSCE commitments and international standards for democratic elections. Although opposition groups denounced the election as fraudulent, no significant demonstrations against the announced results occurred. The next parliamentary elections are scheduled for 2012.

Opposition parties perceive the February 2006 murders of a prominent

opposition politician and his two associates as politically motivated. The former chief of staff of the Senate was convicted in August 2006 of having ordered the murders. Prosecutors charged that personal animosity motivated him.

A.13. Corruption

Although the Kazakhstani Criminal Code contains special penalties for accepting and giving bribes, corruption is prevalent throughout Kazakhstan. The President issued an anti-corruption decree in April 2009, which foresees whistle-blower protection, punishment for state officials that fail to report corruption cases, and measures to prevent conflict of interests. Amendments to the anti-corruption law were signed on December 7, 2009. These amendments increase punishments for corruption crimes, institute mandatory asset forfeitures, broadens the definition of corruption crimes to include fraud committed by government officials, and criminalized the acceptance of a bribe on behalf of a third party and acceptance of intangible assets. The law also extended the definition of government official to managers of companies in which the government holds more than a 35% stake.

The Ministry of Interior, Financial Police, Disciplinary State Service Commission, and Committee for National Security (KNB) are responsible for combating corruption. However, some problems with jurisdiction and competition between the Financial Police and KNB have occurred over the past year.

Transparency International (TI) has a national chapter in Kazakhstan. The government has signed on to the Extractive Industries Transparency Initiative (EITI), and is expected to complete the validation process by the deadline of March 2010. Kazakhstan's rating rose from 2.2 in 2008 to 2.7 this year in TI's Corruption Perceptions Index for 2009. TI experts believe the improvement resulted from the government's desire to improve conditions for foreign direct investment and its 2010 chairmanship of the Organization for Security and Cooperation in Europe (OSCE). However, they also point out that corruption remains systemic, with the most problematic areas being the judiciary, police, customs, property rights, land registration, and construction projects.

U.S. firms have cited corruption as a significant obstacle to investment. Law-enforcement agencies occasionally have pressured foreign investors who are perceived to be uncooperative with the government. The government and local-business entities are widely aware of the legal restrictions placed on U.S. business abroad (i.e., the Foreign Corrupt Practices Act).

In 2003, two U.S. citizens were charged in the United States with violating the Foreign Corrupt Practices Act in a case that received significant international media attention. The two persons allegedly channeled tens of millions of dollars in bribes to two senior Kazakhstani officials during the 1990's in order to facilitate oil deals for American companies. One currently is serving a jail term. The criminal case against the second defendant is ongoing.

A.14. Bilateral Investment Agreements

The United States-Kazakhstan Bilateral Investment Treaty came into force in 1994. In 1992, the United States and Kazakhstan signed an Investment Incentive Agreement.

In 1996, the Treaty on the Avoidance of Double Taxation between the United States and Kazakhstan came into force. However, an ongoing dispute with a U.S. investor raises concerns with the government's tax treaty compliance. Since independence, Kazakhstan has ratified treaties on the avoidance of double taxation with 39 countries. In 2008-2009, Kazakhstan ratified treaties with Malaysia and Japan, and signed, but has not yet ratified, ones with Armenia, Luxembourg, and the Arab Emirates. Kazakhstan has bilateral investment agreements in force with 42 countries, including the United States, Great

Britain, Germany, France, Austria, Russia, Korea, Iran, China, Turkey, and Vietnam. In 2009, Kazakhstan signed a multilateral investment agreement with the Eurasian Economic Community.

A.15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC), an independent U.S. government agency that provides project financing, political risk insurance, and a variety of investor services, has been active in Kazakhstan since 1994. OPIC is seeking commercially-viable projects in the Kazakhstani private sector. OPIC offers a full range of investment insurance and debt/equity stakes.

Kazakhstan is a member of the Multilateral Investment Guarantee Agency (MIGA), which is part of the World Bank Group and provides political-risk insurance for foreign investments in developing countries.

Kazakhstan's national currency, the tenge, experienced a 20% devaluation in February 2009 primarily due to the global economic recession and depressed oil prices. The National Bank of Kazakhstan manages the tenge's exchange rate relative to other global currencies within a tight trading band, and they plan to broaden the tenge's trading band in 2010. No devaluations are expected in 2010. As economic conditions improve over the year, the tenge is projected to appreciate marginally against the dollar.

A.16. Labor

The 1999 Labor Law and the Constitution guarantee basic workers' rights, including the right to organize and right to strike. In April 2009, 70 workers at UzenMunayGaz (Uzen Oil and Gas) went on strike for 10 days during a confrontation with management over failure to pay outstanding wages. The strikers succeeded in their demands.

The 1996 Law on Labor Disputes and Strikes lays out the procedure to resolve disputes. However, the law also restricts strikes by requiring, inter alia, that a peaceful attempt at a solution first be made, that two-thirds of the labor collective must approve the strike, and that the employer must be warned 15 days in advance in writing. In addition, strikes for political purposes are forbidden.

A separate 1992 Law on Collective Bargaining Agreements sets out the basic framework for concluding such agreements. There are a growing number of instances in which unions have successfully negotiated collective bargaining agreements with management. Following a widely-publicized mining tragedy and subsequent strike in January 2008, the government launched a pro-union campaign called "Sign a Collective Bargain" intended to empower workers to more effectively protect their rights as members of the workforce. This action marked a significant change in policy in which independent unions and collective bargaining groups are "no longer seen as the enemy" according to a prominent independent labor union organizer.

In May 2007, Kazakhstan passed a new Labor Code, encompassing all the preceding legislation under a single umbrella and retaining key provisions of all the previous labor laws. The Labor Code extended minimum mandatory vacation time from 18 to 24 days, provided an outline of labor unions' and labor representatives' rights, and toughened rules governing the dissolution of labor contracts.

The 1993 Law on Professional Labor Unions legally guarantees against limitations of labor. It also grants socio-economic, political, and personal rights and freedoms as a result of union membership and prohibits the denial of employment, the denial of promotion, or termination of employment on the basis of such membership. Kazakhstan also joined the International Labor Organization (ILO) in 1993. As of December 2009, Kazakhstan has ratified 17 ILO conventions, including those pertaining to minimum-employment age, forced labor, discrimination in employment, equal remuneration,

ASTANA 00000044 021.3 OF 027

collective bargaining, and the worst forms of child labor.

Currently, the Labor Ministry is preparing the basis for ratification of ILO Convention 156 on Equal Opportunities and Equal Treatment for Men and Women Workers: workers with Family Responsibilities.

In 2009, the minimum wage was \$92.56 per month, with approximately 10.5% of the population receiving income below that level as of the 3rd quarter 2009. In real terms, the minimum subsistence level has declined year-on-year due to the tenge's devaluation. The minimum pension in 2009 was \$102.98. By government estimates, 2009 unemployment was 6.3%-6.5%.

Kazakhstan has an educated and technically-competent workforce. However, the demand for specialized skilled labor created by the simultaneous development of several major oil fields in western Kazakhstan has exceeded locally-available supply. Foreign investors increasingly cite a lack of skilled workers and technical professionals. Management expertise and marketing skills are also in short supply. Many large investors rely on foreign workers, particularly from Turkey, to fill the vacuum. In turn, the Kazakhstani government has made it a priority to ensure that Kazakhstani citizens are well-represented on foreign-enterprise workforces, and is particularly keen to see Kazakhstanis hired into the managerial and executive ranks of those enterprises. In late 2006, the government discussed measures to limit the inflow of foreign workers, particularly unskilled, and pressure large foreign investors to hire and train Kazakhstanis. Since 2001, the quota system has required employers to search for local workers prior to the issuance of work permits for foreigners (see section A.1.). On December 30, 2009, President Nazarbayev signed a decree which increases local-content requirements, particularly for companies involved in extractive activities. Specifically, petroleum and mining companies now will be obliged to fulfill the requirements of the Kazakhstani content decree. Several U.S. employees of companies doing business in Kazakhstan informed the U.S. Embassy in 2009 that their work permits have come under increased scrutiny by immigration authorities. U.S. companies are strongly advised to contact locally-based law and accounting firms, as well as the U.S. Commercial Service in Almaty, for the latest information on work permits.

Employers' reliance on foreign labor in the face of persistent poverty in rural Kazakhstan became a political issue in recent years. The debate has revolved around the underlying causes of some violent incidents between Kazakhstani and foreign workers. A major October 2006 brawl that involved over 400 workers epitomized the tension. Policymakers often point to disparities in wages and working conditions between Kazakhstani and foreign workers. Employers retort that the lack of domestic skilled labor frequently necessitates management of Kazakhstani laborers by foreigners. In 2009, authorities in Atyrau oblast continue to pursue a case against Agip KCO contracting companies, alleging that these companies violate Kazakhstani labor law because their Kazakhstani workers work 60 hours a week instead of the 40 hours required by the labor law.

A.17. Foreign-Trade Zones/Free Ports

A system of tax preferences exists for enterprises engaging in prescribed economic activities in the "special economic zones." As of December 2009, the six such established zones were the "New Administrative Center" in Astana, the Seaport of Aktau, the Alatau Information Technology Park (near Almaty), the Ontustik Cotton Center in south Kazakhstan, the international tourism zone "Borabay" (resort area in 300 km from Astana), and Atyrau Petrochemical Cluster. In the second half of 2006, the government took steps toward establishing the Almaty Financial Center, a legal and institutional framework aimed at making Almaty the financial capital of Central Asia. The plans, which remain in very early stages of implementation, include tax privileges for major participants in the financial marketplace, such as investors, broker-dealers, and

ASTANA 00000044 022.3 OF 027

issuing corporations. The legal framework for the Almaty Financial Center includes a specialized court with jurisdiction over civil disputes between the Financial Center's participants (including

cases on restructuring of financial institutions).

A.18. Foreign Direct Investment Statistics

ANNUAL GROSS FOREIGN DIRECT INVESTMENT FLOWS BY COUNTRY OF ORIGIN (Millions of Dollars; nominal)

	1993-2007	2008	2009 (9 months)	Total
USA	25,401.0	2,068.5	1,549.6	29,019.1
Netherlands	18,401.8	4,339.6	4,185.6	26,927.0
UK	9,688.5	1,929.8	693.4	12,311.7
Italy	5,690.1	693.1	473.4	6,856.6
France	5,577.1	1,203.8	858.7	7,639.6
Switzerland	4,974.2	182.9	321.8	5,478.9
South Korea	2,940.9	891.1	102.5	3,934.5
China	3,893.8	692.5	550.6	5,137.0
Canada	3,750.8	956.2	439.89	5,146.7
Russia	4,050.3	891.2	418.8	5,360.3
Japan	2,796.9	456.6	372.3	3,625.7
Turkey	1,844.3	170.9	98.9	2,114.0
Others	19,699.9	5,601.5	2,890.6	28,192.1
TOTAL	108,709.5	20,078.0	12,956.0	141,743.2

ANNUAL GROSS FOREIGN DIRECT INVESTMENT FLOWS BY INDUSTRIES (Millions of U.S. Dollars; nominal)

	1993-2007	2008	2009 (9 months)	Total
AGRICULTURE, HUNTING AND FORESTRY	73.5	38.5	56.3	168.3
MINING AND QUARRYING	46,913.9	3,107.1	3,082.8	53,103.8
mining of coal and lignite, extraction of peat	56.1	29.5	-26.9	58.7
extraction of crude petroleum and natural gas	43,566.6	2,625.5	2,794.8	48,986.9
mining of uranium and thorium ores	760.9	198.4	149.2	1,108.5
mining of metal ores	2,416.8	148.7	163.9	2,729.5
other mining and quarrying	113.4	105.1	1.8	220.3
MANUFACTURING	10,712.3	1,906.6	866.6	13,485.5
ELECTRICITY GAS AND WATER SUPPLY	1,055.1	134.5	173.8	1,363.4
CONSTRUCTION	2,013.4	449.5	338.6	2,801.5
WHOLESALE AND RETAIL TRADE, REPAIR OF MOTOR VEHICLES,	4,810.9	1,201.1	573.2	6,585.1
ASTANA 00000044	023.3	OF	027	
MOTORCYCLES AND PERSONAL AND HOUSEHOLD GOODS				
HOTELS AND	247.8	37.1	18.3	303.1

RESTAURANTS

TRANSPORT 2,004.2 270.3 143.9 2,418.4

AND
COMMUNICATION

land transport 751.3 49.4 14.9 815.6

including
transport

via pipelines 703.2 35.3 8.0 746.5

water -15.2 2.2 1.9 -11.1
transport

air transport 54.2 1.9 0.8 56.8

supporting 812.7 77.0 34.0 923.7
transport
activities

post and 401.2 139.8 92.4 633.4
telecommunication

including 390.9 138.9 91.8 621.6
telecommunication

FINANCIAL 4652.0 1,933.6 406.0 6,991.6
ACTIVITY

REAL ESTATE, 35,096.1 7,973.0 7,279.3 50,348.4
RENTING
AND BUSINESS
ACTIVITIES

Including
but not limited to

legal, accounting,
book-keeping and
auditing 368.5 149.4 73.8 591.8
activities,
tax consultancy,
market research,
business and
management
consultancy

geological 33,679.1 7,593.1 5,860.8 47,133.0
exploration and
prospecting
activities

EDUCATION, 230.7 65.6 3.2 299.5
HEALTH AND
SOCIAL WORK

ACTIVITY OF 538.8 2,960.8 14.0 3,513.6
PROFESSIONAL
ORGANIZATIONS,
ASSOCIATIONS AND
UNIONS

ACTIVITIES, 360.8 0.0 0.0 360.8
N.E.C.

TOTAL 108,709.5 20,077.8 12,955.9 141,743.2

ASTANA 00000044 024.3 OF 027

Source: National Bank of Kazakhstan

FDI AS PERCENTAGE OF GDP (FLOW)

2007 2008 2009 (9 months)

17.6% 15.2% 17%

Source: National Bank of Kazakhstan

FOREIGN DIRECT INVESTMENT (stock) IN KAZAKHSTAN BY MAJOR INVESTORS
AND INDUSTRIES AS OF SEPTEMBER 30, 2009 (Millions of U.S. dollars)

Direct Investment

TOTAL 64, 929.0

AGRICULTURE,

HUNTING AND FORESTRY 84.7

including

International Organizations 33.6

Virgin Islands (British) 31.0

Latvia 8.5

Germany 0.2

USA 0.0

Other 11.4

MINING AND QUARRYING 14,525.0

including

USA 6,854.3

Netherlands 2,089.6

China 1,314.4

Canada 1,283.1

Virgin Islands (British) 1,077.8

Great Britain 450.3

Switzerland 12.6

Russia 125.2

Other 1,317.6

MANUFACTURING 3,166.8

including

Netherlands 1,966.6

Switzerland 1,100.9

Russia 71.6

Luxemburg 2.7

Other 25.0

ELECTRICITY, GAS

AND WATER SUPPLY 512.5

including

Netherlands 233.5

Virgin Islands (British) 214.8

Russia 48.6

Other 15.5

CONSTRUCTION 729.7

including

China 220.5

Netherlands 103.2

Russia 75.3

South Korea 52.0

Great Britain -33.2

Virgin Islands (British) 26.9

Turkey 48.8

Belgium 24.8

Panama 1.7

Other 209.6

WHOLESALE AND

RETAIL TRADE, REPAIR OF

MOTOR VEHICLES, AND PERSONAL

AND HOUSEHOLD GOODS 2,321.9

including

Arab Emirates 992.2

Russia 108.7

Netherlands 226.3

Virgin Islands (British) 99.0

Switzerland 13.5

ASTANA 00000044 025.3 OF 027

USA 31.5

China 161.9

Great Britain 42.3

Germany 81.6

Cyprus 59.3

South Korea 50.9

Turkey 83.3

Other 371.4

HOTELS AND RESTAURANTS 133.8
including
Virgin Islands (British) 59.0
Turkey 31.7
Netherlands 41.6
Other 1.5

TRANSPORT AND COMMUNICATION 742.0
including
Netherlands 443.5
Great Britain 7.1
International Organizations 1.0
USA 53.4
Virgin Islands (British) 70.3
Other 166.8

FINANCIAL ACTIVITY 4,544.9
including
Netherlands 876.0
Austria 1,866.4
Great Britain 175.0
USA 142.2
Germany 2.6
International Organizations 289.7
Russia 392.6
China 102.7
Virgin Islands (British) 151.7
South Korea 267.4
Other 278.6

REAL ESTATE, RENTING
AND SERVICES TO ENTERPRISES 35,117.9
including
Netherlands 13,509.4
USA 4,990.8
France 4,576.7
Japan 2,271.8
Liberia 2,286.4
Virgin Islands (British) 1070.8
Great Britain 454.9
Other 5,957.1

EDUCATION, HEALTH AND
SOCIAL WORK 47.7
including
Netherlands 28.8
Italy 7.0
Cyprus 5.6
Great Britain 2.4
Virgin Islands (British) 1.5
USA 0.8
Russia 0.8
Panama 0.7
Other 0.9

ACTIVITY OF PROFESSIONAL
ORGANIZATIONS,
ASSOCIATIONS AND
UNIONS 3,002.3
including
Virgin Islands (British) 2,962.6
Netherlands 36.0
USA 1.8

ASTANA 00000044 026.3 OF 027

Spain 1.6
Other 0.4
Source: National Bank of Kazakhstan (the stock data is valued at
market cost)

FDI (stock) AS PERCENTAGE OF GDP
as of September 30, 2009 85.04%

KAZAKHSTANI DIRECT INVESTMENT OUTFLOWS (Millions of U.S. dollars,
nominal)
Country of

Destination 2004-2007 2008 2009 (9 months) Total

Austria	9.6	0.2	0.2	10.0
Azerbaijan	6.7	0.1	0.4	7.2
Armenia	7.6	2.1	0.1	9.7
Afghanistan	0.0	0.0	0.0	0.0
Byelorussia	4.6	30.6	0.0	35.2
Bulgaria	1.5	1.3	0.3	3.0
Belgium	0.1	0.0	0.0	0.1
Great Britain	174.0	28.6	4.6	207.1
Hungary	0.1	0.0	0.0	0.1
Virgin Islands	448.4	257.7	-44.7	661.4
Germany	231.5	5.9	1.1	238.5
Guernsey	0.0	0.0	0.0	0.0
Hong Kong	60.0	0.0	0.0	60.0
Greece	0.1	0.0	0.0	0.1
Georgia	116.9	11.7	3.0	131.5
Dominican Republic	0.2	0.0	0.0	0.2
Egypt	0.0	0.0	0.0	0.0
Israel	10.6	0.4	0.0	11.0
India	7.3	0.0	10.8	18.1
Iran	1.6	8.8	0.0	10.4
Ireland	0.1	0.0	0.0	0.1
Spain	1.8	4.0	0.4	6.2
Italy	0.1	0.0	0.0	0.1
Canada	47.0	0.1	1.1	48.2
Cayman Islands	1.0	0.0	1.7	2.7
Qatar	0.0	0.0	0.1	0.1
Cyprus	91.5	326.9	1.3	419.6
China	63.9	34.7	4.4	103.0
Kyrgyzstan	304.4	10.9	-34.6	349.9
Latvia	2.2	0.0	0.1	2.3
Libya	0.0	0.1	0.0	0.1
Lithuania	1.1	0.0	0.1	1.2
Liechtenstein	0.1	0.0	0.0	0.1
Luxemburg	7.8	0.0	0.0	7.8
Mauritius	0.1	2.8	-0.3	2.7
Malaysia	2.2	0.7	0.0	2.9
Marshall Islands	96.0	0.0	0.0	96.0
Isle of Man	6.6	0.0	0.0	6.6
Mongolia	0.2	3.6	0.0	3.8
Montenegro	0.0	0.0	0.3	0.3
Netherlands	385.5	2,347.4	3,760.8	6,493.7
Nigeria	0.2	0.0	0.0	0.2
Arab Emirates	52.3	28.5	8.8	89.5
Poland	0.0	24.9	0.0	24.9
Russian Federation	832.9	543.9	42.0	1,418.8.
Seychelles	28.3	0.0	0.0	28.3
Serbia	0.0	0.1	0.0	0.1
Singapore	67.9	0.0	0.0	67.9
South Korea	1.4	0.0	0.0	1.4
USA	434.5	17.8	162.1	614.5
Tajikistan	33.3	8.8	2.3	44.4
Thailand	49.2	0.1	0.1	49.4
Turkmenistan	0.0	0.1	2.0	2.1
Turkey	378	85.8	39.9	503.7
Uganda	0.0	0.0	0.0	0.0
Uzbekistan	128.9	3.4	2.1	134.4

ASTANA 00000044 027.3 OF 027

Ukraine	125.5	196.4	-1.0	320.9
France	8.3	4.4	1.9	14.6
Check Republic	4.4	-1.6	0.1	3.0
Switzerland	406.3	242.6	0.9	649.7
Estonia	0.0	0.0	0.0	0.0
Republic of South Africa	0.1	0.0	0.1	0.2
Other Countries	15.6	9.8	11.6	36.9

TOTAL 4659.4 4,244.0 4,053.0 12,956.8
Source: National Bank of Kazakhstan

SUMMARY OF INVESTMENTS AS OF 2009: As of September 30, 2009, the extractive sector accounted for over 15% of the \$137 billion invested in Kazakhstan, with U.S. firms consistently ranking as the largest foreign investors. U.S. companies have invested \$9.34 billion in the extractive sector, including billion-dollar investments in Kazakhstan's petroleum sector by Chevron, ExxonMobil, and ConocoPhillips. From 1993 to 2008, Tengizchevroil, in which Chevron holds a 50% stake, and ExxonMobil, which owns 25%, contributed approximately \$30.4 billion to Kazakhstani entities, including purchases of Kazakhstani goods and services, tariffs and fees paid to the state-owned companies, profit distributions to Kazakhstani shareholder, taxes and royalties paid to the government and Kazakhstani employee's salaries. Other major foreign investors in this sector include the Chinese National Petroleum Corporation (CNPC), Shell, British Gas, Total, Agip, Lukoil, Eni, and Inpex. Other major U.S. investors include Philip Morris (over \$320 million in tobacco processing) and General Electric Transportation (a locomotive facility). Other major non-U.S. foreign investors include Arcelor Mittal and BAE Systems.

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